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TORONTO STOCK EXCHANGE
TORONTO

February 18th, 1964

To the Chairman and Members of
The Ontario Committee on Taxation
88 University Avenue,
Toronto, Ontario.

Gentlemen:

1. The Toronto Stock Exchange have not submitted a "brief" to your Committee but, by this letter, we do wish to present our views on one subject, i.e. the Security Transfer Tax: (Provided for by The Security Transfer Tax Act R.S.O. 1960 Chap. 364 and administered under R.R.O. 1960, Reg. 544).

2. It is admitted that the tax can scarcely be said to be onerous, e.g. on the sale of a $10,000 bond - the tax is $3.00 : on the sale of 100 shares of Int. Nickel @ $79.00, the tax is $4.00 : on 1,000 shares of Cdn. Breweries, @ $10.00, the tax is $10.00 etc. Because it is a low rate of tax it is doubtful that it acts as a deterrent to investment. For these reasons it might be argued that the tax does little or no harm and should remain as a source of revenue, even though it represented in gross collections in FY ending 31 March 1963 only $2,926,291.00 i.e. a fraction of one per cent of Provincial receipts from all taxes : the net would be much less.

3. Nevertheless the Security Tax is a genuine nuisance to brokers, investment dealers, banks and others who have the task of interpreting the Act and the Regulations, and must do the computing, collecting, accounting for and transmitting of the tax to the proper authorities. The time spent on these tasks and the costs involved are out of all proportion to the net sum which eventually finds its way to the Provincial Treasury.

4. We respectfully draw the attention of the Commission to the lengthy and complicated provisions of Regulation 544: in addition to these, there are numerous rulings and interpretations made from time to time by the Provincial authorities who are responsible for collection. It is of interest to note the records that must be kept, and the returns that must be made by one or more of the persons or corporations involved in security transactions - (Sections 10 to 18 inclusive and form 1 of Reg. 544 refer).

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FEB 20 1964

5. A perusal of Sections 20 to 27 of R.R.O. 544 will give some idea of the problems of interpretation which may, and often do arise.

6. We have been referring to the problems and work involved at the origin or forwarding level, but it is important to enquire into the cost at the "receiving" end. We are unable to offer evidence as to this but it will be available to the Commission from the Treasury Department. It has been said that as a result of the work involved on the Security Transfer Tax, it is possible to keep fully employed in the "off season", the staff who work on the betting tax during the racing season. This fact, of course, should not be considered relevant when one is discussing the merits or otherwise of the Security Transfer Tax.

7. Coupled with the difficult, complicated and time consuming business of interpreting the Act and Regulations and of computing and collecting the tax, we have the anomalies to which the Investment Dealers' Association of Canada have referred in their brief to your Committee. We are fully in accord with and strongly support the statements made in that brief. To repeat them here, would be a waste of your time. However, in our opinion, it is unlikely that any amendments to the Act or to the Regulations (as suggested by the Investment Dealers' Association of Canada) will remove the continuing problems of interpretation, the inequities and the disproportionate amount of work involved in the collection of the Tax.

8. For the above reasons, the Toronto Stock Exchange strongly recommends that the Security Transfer Tax Act be rescinded.

Respectfully submitted,

H A Graham

President,
The Toronto Stock Exchange

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